

▶ CATHOLIC RESPONSIBLE INVESTMENTS<sup>SM</sup> PROGRESS REPORT

# Impact and Justice

SEPTEMBER 2019

## CBIS to Participate in Upcoming Vatican Strategy Meeting and Audience with Pope Francis

### WORLD EXPERTS GATHER IN ROME TO DEBATE ACTION PLAN FOR PREVENTING CHILD EXPLOITATION ONLINE

A group of 70 global experts on child sexual exploitation online will convene at the Vatican in November to promote strategic initiatives designed to prevent digital predation and corruption. Julie Tanner and Tracey Rembert will participate on behalf of CBIS as sole investment manager at the meeting. The event is co-hosted by the Pontifical Academy of Sciences and Social Sciences and the Child Dignity Alliance, of which CBIS is a board member.

Participants will discuss specific conditions that contribute to exploitation, including social media access by children and the use of cryptocurrencies to buy and sell children.

Representatives of Facebook and Google, companies that CBIS is actively engaging on the issue, will also participate.

This event follows the groundbreaking 2017 Vatican-hosted World Congress on Child Dignity in the Digital World that culminated in an audience with Pope Francis. That Congress produced a multi-faceted action plan, including the formation of the Child Dignity Alliance and a focus on tech sector progress introduced by CBIS. Following the meeting, Pope Francis endorsed the action plan in a major address, referred to as the Declaration of Rome.



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*“Technology companies and government have shown leadership in this fight and must continue to innovate to better protect children,” Pope Francis said in the address, asking technology companies “to commit to the development and implementation of new tools and technologies to attack the proliferation of sex abuse images on the Internet, and to interdict the redistribution of the images of identified child victims.”*

## Retiring Vice Chair of CBIS Honored

### FRANCIS G. COLEMAN RECEIVES ICCR LEGACY AWARD



Francis G. Coleman, whose career of service to Catholic Responsible Investments helped usher in a transformation in Catholic-focused

shareholder activism, has been named the 2019 recipient of the Interfaith Center on Corporate Responsibility's Legacy Award. The Award was created to honor those whose work has provided a strong moral foundation and an enduring record of demonstrated influence on corporate policies. Mr. Coleman will retire from CBIS at the end of this year.

*The ICCR Legacy Award is given to a foundation, non-governmental organization, corporation or individual whose work has advocated or evinced corporate social responsibility. Mr. Coleman was nominated by a fellow ICCR member and chosen as the recipient by a small group of ICCR Board members. Mr. Coleman did not pay to have his nomination considered and was the only nominee for the 2019 ICCR Legacy Award. More information on the ICCR Legacy Award can be found on the ICCR website: <https://www.iccr.org/membership/iccr-members>*

## Lucas Schoeppner Joins CBIS Engagement Team



In July, CBIS welcomed Lucas Schoeppner to our Catholic Responsible Investments<sup>SM</sup> team. Based in our Chicago office, Mr. Schoeppner holds responsibility for

critical initiatives, including advancing our screening process, developing CRI quantitative scoring models for our portfolio securities, and designing impact metrics for our investment strategies and Active Ownership efforts.

### DRIVING PROGRESS



#### CHILD SEXUAL EXPLOITATION ONLINE

- ▶ Video uploaded to YouTube worldwide – **500 hours per minute** – and with it a formidable challenge for parent Alphabet in moderating content<sup>1</sup>



- ▶ Facebook active monthly users **2.4 billion globally**. Facebook content moderators **approx. 20,000**<sup>2</sup>

- ▶ Google/YouTube fined **\$170M** in 3Q2019, largest fine ever, under U.S. Children's Online Privacy Protection Act<sup>3</sup>



#### CLIMATE CHANGE

- ▶ 43,421 – 2019 Amazon Basin fires, through July, more than twice the level for the first seven months of 2018<sup>4</sup>
- ▶ One million – number of animal and plant species at imminent risk of extinction, according to a recent UN report<sup>5</sup>



**Amur Leopard**  
Critically Endangered



#### HUMAN TRAFFICKING

- ▶ \$150 billion – annual profits for human traffickers<sup>6</sup>
  - \$99 billion from commercial sexual exploitation
  - \$34 billion in construction, manufacturing, mining and utilities
  - \$9 billion in agriculture, including forestry and fishing
  - \$8 billion dollars is saved annually by private households that employ domestic workers under conditions of forced labor



#### SOURCES

<sup>1,2</sup> Statista

<sup>3</sup> U.S. Federal Trade Commission

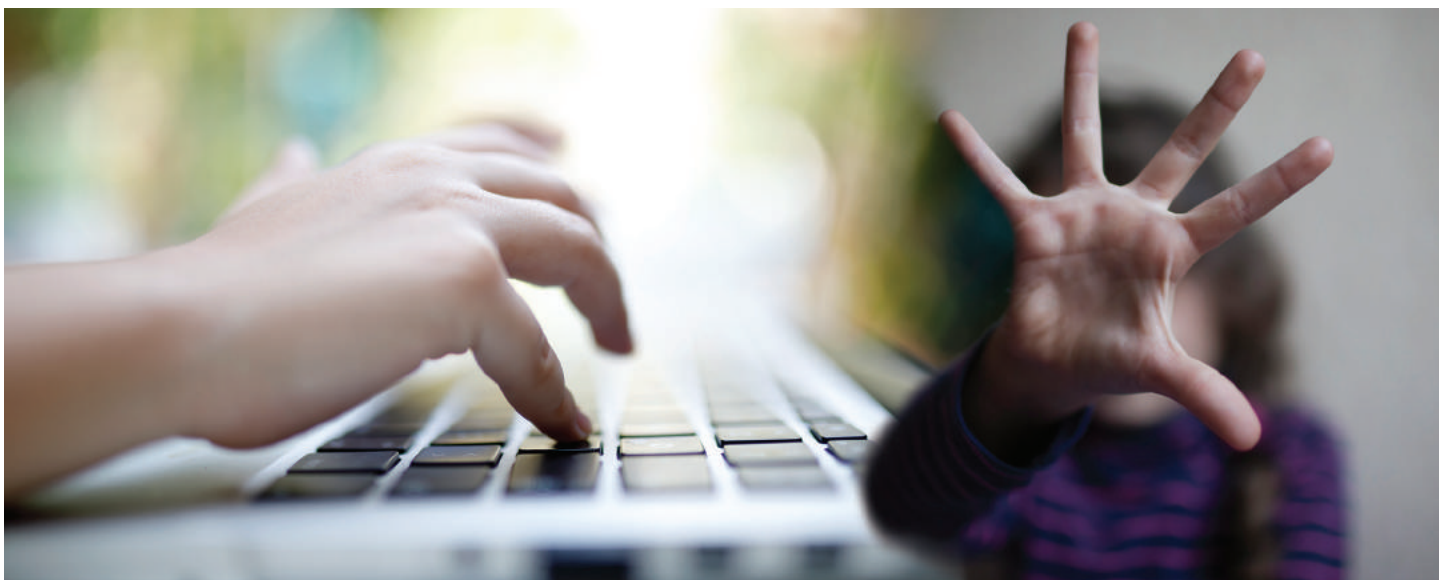
<sup>4</sup> National Institute for Space Research (Brazil) and Wall Street Journal

<sup>5</sup> United Nations and NPR

<sup>6</sup> International Labor Organization and Human Rights First



# Holding Sprint Accountable During Merger Process



CBIS continues to engage telecommunications company Sprint Corp. to better protect children online from sexual exploitation and grooming. After our initial outreach in late 2017 went unanswered for a year, CBIS filed a shareholder resolution in Feb. 2019, which led to a dialogue with about 10 Sprint executives in July. CBIS CIO John Geissinger led other members of the Catholic Responsible Investments team, and an investor, in the discussions. Both Sprint and T-Mobile have minimal due diligence or initiatives to keep child sex abuse materials from flowing through their platforms. If T-Mobile's proposed acquisition of Sprint is finalized, T-Mobile's parent company Deutsche Telekom will own a 42% stake in the combined venture, where it has more robust policies and initiatives on child exploitation prevention than its US counterparts.

*CBIS has requested a meeting with Deutsche Telekom executives for 4Q 2019 and we are awaiting a response to our letter.*

## Coming Soon: A Guide to Help Hold Tech Companies Accountable



To support Pope Francis's call for technology companies to develop and implement tools to better protect children, CBIS is preparing investor guidance that will set expectations for technology companies in protecting children online from abuse. The guidance will include specific recommendations for companies providing online gaming, internet-connected toys, social media services, online advertising exchanges, search engines, internet access, telecom services and hardware.

The document will seek to:

- ▶ **Encourage** disclosure, in a standardized fashion, by information and communications technology companies of their efforts and policies to preventing child exploitation online
- ▶ **Guide** investors on their engagements with communications and technology companies regarding risks and best practices on the issue
- ▶ **Share** with the companies, best practices in their sectors for preventing child exploitation online
- ▶ **Press** companies to improve staffing, oversight, resources, partnerships and tools to disrupt child grooming and sexual abuse





## Confronting the Amazon Crisis

# CBIS Co-Hosts Climate Week Strategy Session

CBIS joined with BNP Paribas AM to convene investors, environmental coalition partners and leading scientists on biodiversity and the climate crisis in New York in September for meetings during Climate Week.

Threats to biodiversity and sustainability are being vividly illustrated by the destruction of the South American rainforest, a situation that coincides with this month's Synod of Bishops for the Amazon region. CBIS is actively engaged on the issue, holding discussions with subadvisors on opportunities for dialogue with the Brazilian government as holders of its sovereign debt.

The fires present significant human rights issues. CBIS is signatory to a recent [Investor Statement](#), organized by Principles for Responsible Investment and Ceres. It notes the fires reflect weak rule of law with "rampant deforestation ... directly connected to serious human rights abuses including incidents of forced labor, land grabs and egregious attacks on indigenous communities and human rights defenders."

## Positive Change

### MAJOR EMITTERS OPPOSE REGULATORY ROLLBACKS

With governments acting to rescind environmental protections in the name of economic necessity, it seems odd to find resistance coming from the very companies the governments say they are trying to defend.

- ▶ Ford Motor Company led a coalition with competitors Honda, BMW and Volkswagen this summer to retain California's stringent vehicle emissions standards rather than accept a loosening of regulations proposed by the U.S. federal government.
- ▶ Four companies CBIS engaged on climate issues in 2018-19 recently lobbied Congress in favor of a carbon tax.
- ▶ Oil giants BP, Royal Dutch Shell and Exxon Mobil opposed the U.S. government's proposal to roll back rules on methane emissions for their industry.
- ▶ Separately, BP pulled up stakes in Alaska, abandoning long-sought plans to drill in the Arctic National Wildlife Refuge.



### CNOOC

The China National Offshore Oil Corporation (CNOOC) discontinued participation in key surveys and declining to report climate metrics.



- ▶ CBIS helped draft a letter in July 2019 from Climate Action 100+ members, an investor coalition established to engage greenhouse gas emitters
- ▶ CNOOC subsequently resumed reporting climate metrics and announced efforts to assess potential investment in wind strategies



# Engaging the Apparel Industry Delivers Results

Each article of clothing takes, on average, 100 pairs of human hands to make.<sup>1</sup> Everything we wear brings impacts on people and the planet.

<sup>1</sup> *Fibre2GFashion: The Amsterdam Report*

CBIS is working to change the future of fashion and ensure that the workers who make our clothes are not subjected to abuse, forced labor or human trafficking. Working with other leading investors and with KnowTheChain, a resource for companies and investors on the issue of forced labor, we engaged several major apparel companies in the third quarter.

COMPANY	OUR ASKS	COMPANY RESPONSES	NEXT STEPS
<b>Hermes</b>	<ul style="list-style-type: none"> <li>▶ Disclose supplier code of conduct</li> <li>▶ Prohibit passport retention and recruitment fees</li> <li>▶ Audit suppliers' recruiters</li> </ul>	<p>Claims:</p> <ul style="list-style-type: none"> <li>▶ Compliance with EU rules</li> <li>▶ 70% of production under its direct control</li> <li>▶ Our request is immaterial</li> </ul>	<p>Notify company that:</p> <ul style="list-style-type: none"> <li>▶ EU law does not address specifics of our inquiry into forced labor</li> <li>▶ Focus on supply chain reflects higher risks of abuse by contractors</li> </ul>
<b>Fast Retailing</b>	<ul style="list-style-type: none"> <li>▶ Commit to responsible recruitment standards and monitoring</li> <li>▶ Fully reimburse fees paid by workers</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provided supplier lists for select brands</li> <li>▶ Completed 3-yr AAFA/FLA accreditation</li> <li>▶ Will collaborate with stakeholders to engage workers on labor rights</li> </ul>	<p>Awaiting response to Q3 query:</p> <ul style="list-style-type: none"> <li>▶ Are recruiters audited?</li> <li>▶ Have fees been paid by workers?</li> <li>▶ If so, will they be reimbursed?</li> <li>▶ Does the firm conduct risk assessments?</li> </ul>
<b>Inditex</b>	<ul style="list-style-type: none"> <li>▶ Adopt Employer Pays Principle to ensure no worker pays for job</li> <li>▶ Engage low-scoring suppliers to improve recruitment practices</li> </ul>	<p>Will consider our suggestions. States that:</p> <ul style="list-style-type: none"> <li>▶ Company does not allow forced labor</li> <li>▶ Employees not required to make any kinds of "deposits"</li> <li>▶ Suppliers are prohibited from retaining employees' identity documents</li> </ul>	<p>CBIS will seek update in 2020</p>
<b>Pou Chen / Yue Yen</b>	<ul style="list-style-type: none"> <li>▶ Develop/disclose supplier code of conduct prohibiting forced labor and human trafficking</li> <li>▶ Develop/implement no-fees policy</li> </ul>	<p>Company indicated it will respond and is willing to have an update call</p>	<p>CBIS will seek update in fourth quarter</p>

## Developing Coalition Strategy to Combat Apparel Industry Abuse

### UN-SUPPORTED PRI MEETS

CBIS co-organized a meeting of Principles for Responsible Investment signatories when the network met in September to coordinate efforts to curb exploitative hiring practices and workplace abuses in the apparel industry.

One dozen investors shared insights and progress and discussed opportunities to work together to present stronger and more unified fronts in their initiatives.



# Investor Spotlight

**SR. JOSIE CHROSNIAK, HM, OF SISTERS OF THE HUMILITY OF MARY**



CBIS encourages our investors and allies to become involved in engaging corporations for positive social change. In this issue, we offer appreciation

for the efforts of Sr. Josie Chrosniak, HM, of Sisters of the Humility of Mary, for her collaboration in joining us to engage Sprint Corp., encouraging the company to take more proactive steps to protect children from sexual exploitation online. Sr. Josie brings years of experience on human trafficking and sex trafficking to this engagement effort.<sup>1</sup>

## Another Strong PRI Report Card

As a signatory to the UN-supported Principles for Responsible Investment, CBIS is expected to practice what it preaches. This summer we were evaluated for our investment behavior in support of the six principles.

### STRATEGY & GOVERNANCE

**A+**

### MANAGER SELECTION LISTED EQUITY

**A**

### MANAGER SELECTION FIXED INCOME (4 CATEGORIES)

**A**

### DIRECT & ACTIVE OWNERSHIP LISTED EQUITY

**A**

*PRI (Principles for Responsible Investment) is an organization whose goal is to promote responsible investing. Christian Brothers pays for membership to PRI, however CBIS did not pay to participate in this PRI Scorecard. The PRI Scorecard evaluates members on four (4) categories: Strategy and Governance, Manager Selection Listed Equity, Manager Selection Fixed Income and Direct & Active Ownership Listed Equity. This Scorecard is not indicative of any client's experience with CBIS and is not indicative of future performance. The Scorecard is created by PRI. For more details see PRI's website: <https://www.unpri.org/about-the-pri>*

## Contact Us

We want to hear from you. If you have questions or want more information on any of our engagements, please reach out to our Catholic Responsible Investments<sup>SM</sup> team at:

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## IMPORTANT DISCLOSURES

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<sup>1</sup> It is not known whether or not the person identified approves or disapproves of CBIS.